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MEXICO ECONOMIC POLICY PROGRAM



Captions: (top left) Mexico City's new airport, the country's largest infrastructure project, will be built on this land mass. Photo by Doug Trapp, Abt Associates. (top right) The Mi Negocio platform was launched in June.

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This report was produced by Abt Associates Inc. for the United States Agency for International Development.

Screenshot by Natalia Jardon, Abt Associates. (bottom left) Over 200 people attended the North American Tri-Lateral Conference of Anti-Trust Agencies. Photo by Natalia Jardon, Abt Associates. (bottom right) Evaluators from Mexico City's public universities receive Lean Launch training at the Arrowhead Center, based in New Mexico. Photo by Natalia Jardon, Abt Associates.

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OVERVIEW OF PROGRAM

The mission of USAID's Mexico Economic Policy Program (MEPP), which began in May 2013, is to improve Mexican private sector productivity and competitiveness by supporting the country's efforts to strengthen public sector economic governance. MEPP does this through *policy change* (laws, regulations, program rules and design, and transparency) and *organizational capacity-building* (promoting best practices in operating procedures, information access, and human capital development).

The Mexico Economic Policy Program supports six over-arching policy outcomes. Though economic outcomes depend on numerous exogenous factors that foreign technical assistance cannot change, key Mexican institutions have a major impact on those outcomes, and can themselves be strengthened by technical assistance. MEPP promotes implementation of substantive reforms and improved practices within governmental institutions and organizations that most directly affect these economic outcomes:



Outcome 1: Government funds promote private sector development and productivity. MEPP supports reform of rules and regulations that govern public sector spending programs, especially those that promote business start-up, growth and innovation, to improve transparency and effectiveness of government investments.



Outcome 2: Businesses face fewer obstacles to growth. MEPP produces specific proposals that make regulations affecting business start-up and operation more transparent and less costly. These proposals focus on governance change at the national, state, and municipal level.



Outcome 3: Competition is improved. MEPP supports public sector actions that level the playing field in a given market. This work strengthens regulations and institutional capacity to improve accountability of corporations that engage in rent-seeking behavior, and to reduce barriers to entry for new competitors, especially in markets in which collusion is common.



Outcome 4: SMEs have greater access to private capital. MEPP produces proposals to modify rules and regulations of key financial sector institutions to improve the incentives and ability of small and medium-sized enterprises to attract private investment.



Outcome 5: Business transactions are more efficient and reliable. MEPP proposals seek to modify regulations and judicial processes that impose costs on businesses pursuing larger economic transactions, as well as those trying to resolve claims and disputes with other firms or organizations. Reforms will increase the transparency and reliability of government institutions, while reducing the time and expenditure of business transactions.



Outcome 6: (Cross-cutting): Citizens have greater access to public information. MEPP works with the Office of the Presidency to develop and launch mobile applications that increase the quality and volume of governmental information available to individuals, NGOs and the private sector. These apps support the federal government's commitment to improve public sector transparency and transactions between government agencies and citizens.

LIST OF ABBREVIATIONS

AMSDE	Mexican Association of State Government Development Secretaries
BANCOMEXT	Mexican Export Bank
BANXICO	Mexican Central Bank
BMV	Bolsa Mexicana de Valores (Mexican stock market)
CIDAC	Center of Research for Development
CIDE	Center for Research and Teaching in Economics
COFECE	Federal Economic Competition Commission
COFEMER	Federal Commission for Regulatory Improvement
CNA	National Water Commission
CNBV	National Securities and Banking Commission
CONACYT	National Science and Technology Council
CONAFOR	National Forestry Commission of Mexico
COP	Chief of Party
COR	Contracting Office Representative
CRE	Energy Regulatory Commission
EPU	Economic Productivity Unit (Ministry of Finance)
FAA	Foreign Assistance Act (United States)
FLACSO	Latin American School of Social Sciences
FONDESOC	Social Development Fund (of Mexico City)
FY	Fiscal Year
GDF	Gobierno del Distrito Federal (Mexico City government)
GDP	Gross Domestic Product
GoM	Government of Mexico
IDB	Inter-American Development Bank
IFECOM	Federal Institute of Bankruptcy Specialists
IFT	Federal Telecommunications Institute
IJF	Institute of the Federal Judiciary
IMCO	Mexican Institute for Competitiveness
IMPI	Mexican Institute for Industrial Property
IMSS	Mexican Social Security Institute
INADEM	National Entrepreneurship Institute
INECC	National Institute of Ecology and Climate Change
INEGI	National Institute of Statistics and Geography
ITAM	National Autonomous Technological Institute

MFI	Microfinance Institution
NAFIN	Nacional Financiera (Mexican national development bank)
NGO	Non-Governmental Organization
NOM	Official Mexican Standard
PEI	Innovation Stimulus Program (under CONACYT)
PMP	Performance Monitoring Plan
PROMEXICO	Investment and Export Promotion Agency
RUG	Registro Unico de Garantias Mobiliarias (Non-real estate guarantee registry)
SAGARPA	Ministry of Agriculture, Cattle, Rural Development and Fisheries
SBA	Small Business Administration (United States)
SCT	Ministry of Communications and Transportation
SE	Ministry of Economy
SEDATU	Ministry of Agrarian, Territorial and Urban Development
SEDECO	Mexico City Secretariat of Economic Development
SEDESOL	Ministry of Social Development
SEMARNAT	Ministry of Environment and Natural Resources
SENER	Ministry of Energy
SFP	Secretaría de la Función Pública (Ministry of Public Administration)
SHCP	Ministry of Finance
SME	Small and Medium Enterprise
SRE	Ministry of Foreign Affairs
UAM	Metropolitan Autonomous University
UNAM	National Autonomous University of Mexico
UNDP	United Nations Development Program
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USG	United States Government
WB	World Bank
WEF	World Economic Forum

TECHNICAL PROGRESS TOWARD POLICY OUTCOMES

During the third quarter of FY 2015, MEPP made significant progress on key activities and deepened its impact on Mexican public sector economic governance. Major achievements include progress in the implementation of Mexico City's youth entrepreneurship program *Atrévete a Emprender*, the completion of a unique website that promotes transparency of local government business regulation, and the publication of the a civil society policy paper on Mexico City's new airport, the costliest infrastructure project in the country's history. During this quarter MEPP completed a total of eight technical deliverables.

This quarterly report presents technical progress and governance achievements resulting from MEPP activities. Please see **Annex 2** for a list of achievements towards indicator targets as defined under our November 2014 Performance Management Plan and **Annex 4** for descriptions of all final deliverables completed during the quarter. As of June 30, 2015, the Program had achieved a total of 12 policy proposals endorsed or adopted to improve economic governance, as well as six institutional capacity mechanisms adopted by counterparts. MEPP has also produced and launched one software application to improve public sector governance and has trained a total of 338 people, resulting in a cumulative total of 6,147. **Annex 3** displays all training this quarter by event.



I. Government funds promote private sector development and productivity

A. Supporting state programs for SMEs

Atrévete a Emprender

Six evaluators from four universities, accompanied by staff from Mexico City Government and MEPP, participated in a Lean Launch Master Class May 13-14, delivered by business experts from the Arrowhead Center, a start-up incubator based at New Mexico State University in Las Cruces, NM. Organized by MEPP, the event taught the “Lean Launch” methodology to Mexican evaluators who will implement *Atrévete a Emprender*, an ambitious youth entrepreneurship program managed by Mexico City's Social Development Fund (FONDESOC) and open to students, researchers and graduates of local public universities. Lean Launch prioritizes commercial viability and allows entrepreneurs to develop product ideas without making major financial investments. This evaluation training provided at the master class will ensure the initiative can be carried out in coming years without external assistance. *Atrévete* will strengthen the capacity of hundreds of aspiring entrepreneurs to develop marketable products. At the end of May, over 400 teams—consisting of over 1,000 participants—had submitted applications. The evaluation process will be carried out May-July 2015, and selected projects will be incubated at the Arrowhead Center, where further product development will increase the likelihood of commercial success.

SME Loan Risk Assessment Tool

In July 2014, MEPP provided technical assistance to Mexico City's FONDESOC to develop a credit scoring algorithm for SMEs to improve the Fund's beneficiary selection process, previously dogged by low repayment rates. To formally implement the algorithm, in early April 2015, FONDESOC approved changes to operational rules governing the loan program, which now requires an evaluation process to establish company need and credit risk level.

Value Chains

Survey findings for policy

On June 16, MEPP met with Ministry of Economy (SE) Logistics Director Rodolfo Hernandez to present recommendations on effective private supply chain practices in the automobile sector. This deliverable was the last in a lengthy activity that drew upon survey findings from 70 companies representing eight sectors. The data helped SE identify supply chain weaknesses in auto companies, as well opportunities for promoting competitiveness. The study touches on a topic increasingly important in different sectors—collaboration—by analyzing how companies that collaborate more (with clients, suppliers and sometimes even competitors) tend to have better supply chain practices. In July 2015, MEPP will deliver a final presentation to Raúl Rendón, SE Director of Commerce, Services and Innovation. This activity could expand into a more elaborate study on collaboration methods to be leveraged in Mexican companies.

Energy Sector Trust Fund

On June 2, MEPP organized a workshop to discuss principles and specific objectives for the re-design of the trust fund for national suppliers and service providers in the energy sector, headed by Ministry of Economy Procurement Unit chief Hector Marquez. A key outcome was consensus on six specific objectives for the new trust fund, including: bridging technological gaps and capacity limitations, using sectoral diagnostic studies to detect long-term areas of opportunity, and the coordination of federal, state and local entities for strategic projects. On June 12, MEPP presented further research on the implementation challenges to meeting these objectives. Marquez endorsed the findings and announced that he will present MEPP's recommendations in a meeting to trust fund stakeholders as an independent third-party analysis.

B. Local Economic Reactivation

Economic reactivation of marginalized areas

On June 24, MEPP briefed USAID/Mexico staff, including the incoming COR, on the completion of a deliverable produced for Mexico's Ministry of Interior (SEGOB) on policy recommendations to create economic opportunities for marginalized areas. Key recommendations of the study, entitled Economic Reactivation in Vulnerable Areas, were endorsed by SEGOB's General Director for Inter-Ministerial Coordination (Sub-Secretariat for Civic Participation), who has requested further technical assistance to develop MEPP's recommendations into a guidance manual for local government officials.



2. Businesses face fewer obstacles to growth

A. Streamlining business procedures

Transparency in Local Business Regulation

On June 25, MEPP finalized the [website MiNegocio](#), which offers a low-cost mechanism for municipalities to make business regulation information available to citizens and firms. Content is drawn from data provided by six pilot municipalities of the State of Mexico, whose administrative and IT personnel received training in open data: e.g., how to design and create databases in open code, interactive search capability and user-friendly formats. In addition to specific regulatory and documentary information for a full range of business types, the platform includes lists of authorized inspectors and allows users to file complaints online. Findings from

the pilot suggest that upscaling the initiative will require investment to teach local governments to clean and upload data in exportable formats.

B. High impact entrepreneurship

Obstacles to high impact SMEs

MEPP held a kick-off meeting March 19 with the National Entrepreneurship Institute (INADEM) and the firm IPSOS, selected via competitive bid, to launch an unprecedented survey on “high-impact” entrepreneurship. This representative survey of businesses in Mexico City’s metropolitan area will define the profile of high-impact businesses, their needs and the obstacles they face to achieving high growth. INADEM will use survey findings to design programs for enterprises with the greatest potential for productivity, growth and innovation.



3. Competition is improved

A. Procurement reform and innovation

Civic Oversight of Mexico City’s New Airport

Mexico City’s new international airport is scheduled to open in 2021, with estimated first-phase construction costs of 169 billion pesos—over US\$11 billion—making it the costliest infrastructure project ever undertaken in Mexico. In an unprecedented effort to ensure transparency, MEPP, civil society and government leaders inaugurated the **Citizen Observatory for Mexico City’s New Airport** (**ObservatorioNAICM**) in October 2014, and spent the ensuing months convening public forums to address economic, environmental, transportation and social impact concerns about the infrastructure project. On April 22, the Observatory held a press conference to present a [position paper](#) outlining informational challenges to obtaining useful civil society inputs. The document, produced with assistance from MEPP, details gaps in planning by posing key questions such as: Environment: What will be done to counter flooding? What is the evidence regarding land stability on the construction site? Will the government commission studies to evaluate the impact on the surrounding environment? Competition and economic impact: What research and data support the decision to build six runways? What is the contingency plan for cost over-runs or insufficient public funds, especially in the context of the recent exchange rate devaluation? Urban Development: What are the mechanisms for coordinating between federal organizations involved? Are there specific proposals for transportation to the new airport? Social impact: How will the government engage the local community? Are funded projects being planned to benefit the community? Over 50 people attended the April 22 event, which was covered widely in the Mexican press. During the quarter, MEPP also developed Observatory’s website, which will serve civil society’s window of transparency to airport challenges and decisions for years to come. See more in www.observatorionaicm.mx.

Reform of Public Works Procurement

MEPP staff helped USAID organize a series of meetings May 18-22 for two visitors from the United States Trade Development Agency (TDA), Andrea Lupo and Elizabeth Johnson. The visit explored technical assistance opportunities for Mexican government organizations seeking to reform the bidding and procurement process for infrastructure and construction, with a

particular focus on methodologies for determining “best value for money.” MEPP organized the following consultations:

- CFE: Meeting with Director of Administration and staff of the Mexican Federal Electricity Commission (CFE). USTDA received information about some of CFE's main projects, which will influence its design of a approach to share best practices.
- ASF: During the meeting with the federal auditing office (ASF), the General Director for Audits of Physical Investments gave a short presentation about bidding and related legislation and regulation. When USTDA offered possible technical assistance to get best value for money, ASF suggested that USTDA meet directly with the organizations responsible for selecting and operating public bids, such as CONAGUA, CFE y SCT.
- SENATE: USTDA met with Susana Palma Flores, Technical Secretary of the Senate Commission on Urban Development and Land Use Planning, as well several staffers of Senator Francisco Burquez, President of the Commission. The senators seek to incorporate good procurement practices into legislative reform of the national public works law during the next three months. USTDA explained how the U.S. has improved procurement over the years, including the protest system, risk management practices and training for procurement officers.
- OECD: USTDA met with several competition experts from the Organization for Economic Development and Cooperation (OECD), who discussed lack of trained staff or guidelines on local government procurement. The discussion explored USTDA technical assistance, especially customized workshops focusing on specific sectors.
- COFECE: USTDA met with nine deputy directors and directors from Mexico's Federal Economic Competition Commission (COFECE) to discuss collusion among Mexican Social Security Institute (IMSS) medicine suppliers and how the agency has responded. USTDA articulated the role of George Washington University professors in capacity-building efforts around the world. COFECE also affirmed the priority of applying value-for-money methodologies in public procurement, and expressed interest in working with the USTDA to build related capacities.
- México Evalúa: With Mariana Campos, Coordinator of Government Procurement and Transparency at the policy think tank Mexico Evalua, USTDA heard an overview of Mexican public works procurement, and learned how NGOs are helping revise federal procurement law.
- CIDE: Alexander Ebittar, researcher and professor at CIDE, explored possible collaboration with USTDA on building capacity, especially by developing a curriculum for a new class on government procurement to be taught at CIDE.
- IMCO: USTDA met with experts on government procurement at the Mexican Competitiveness Institute (IMCO) and learned about the civic observatory that seeks to involve NGOs in the life cycle of the new Mexico City airport. IMCO staff indicated that the NGO community could benefit from USTDA assistance.
- IMEXDI: Edmundo Gamas and Juan Mata, leaders of the Mexican Institute for Infrastructure Development (IMEXDI) presented a toolkit, financed by MEPP, on the life

cycle of public works procurement and discussed their role advising Senator Burquez in reforming federal procurement law.

ICT Goods & Services

On April 27, a group of independent regulatory experts, financed by MEPP, presented a methodology and practical recommendations to improve *Retos Públicos* (Public Challenges), a MEPP-supported initiative to help federal agencies create innovative software applications for citizens. The team presented the report “Economic and Legal Diagnostic for a Regulatory Framework on Digital Services Procurement in Mexico” to the National Digital Strategy Unit of the Office of the President, with which MEPP is working to increase transparency, promote competition, expand opportunities for small businesses in the technology sector, and improve citizen access to information. Recommendations included: mechanisms to generate incentives for small business participation (such as allowing winners to sell software improvements and updates); empaneling impartial judges with legal authority to evaluate proposals; and having evaluators themselves approved by a neutral third party. On the demand side, the diagnostic offered recommendations on how to institutionalize *Retos Públicos* by demonstrating the program’s value to federal organizations that buy digital services. Finally, a simple tip: Produce a manual to guide procurement departments through the *Retos* process step by step.

B. Strengthening regulatory capacity

Alliance for Competition and Institutional Capacity Building

International experience on regulatory efficiency

On May 12, MEPP staff, Alliance for Competition members and the Interdisciplinary Program for Regulation and Economic Competition (PIRCE) at the Center for Research and Teaching of Economics (CIDE) co-organized the conference “Competition vs Regulation: Efficiency vs. Capture.” Speakers, who gave examples of effective regulation in Mexico and internationally, included José María Marín, President of the Nacional Commission for Markets and Competition (Spain), Elisa Mariscal, Director of the Global Economics Group, and Gustavo del Angel, a CIDE researcher. Marín spoke about the often difficult role of regulators: “Agencies are not there to make friends (...) a regulator is part of the State, it works for their country, but not for the government.” Around 50 regulators, judges, students and academics attended the conference.

Tri-Lateral Conference

MEPP and Mexico’s Federal Economic Competition Commission (COFEC) hosted a trilateral conference with U.S. and Canadian antitrust agencies on May 21 to discuss improving competition law enforcement through adoption of best practices. Last year, Mexico passed path-breaking reforms to the national competition law that increased both governmental authority and economic sanctions against violators; COFEC is responsible for enforcing the law. COFEC President Alejandra Palacios explained Mexico’s new competition regime and framework; U.S. Assistant Attorney General for Antitrust William Baer discussed recent sanctions to U.S. banks for fixing the exchange rate; and Canadian Competition Commissioner John Pecman disclosed that a third of antitrust cases in Canada had an international component, emphasizing the importance of North American cooperation. About 200 people participated in the event, including U.S. Federal Trade Commission Chairwoman Edith Ramirez, and lawyers, academics, government officials and civil society representatives.

Dawn Raids

Dawn raids are unannounced inspections by government officials with legal authority to obtain information from private sector actors under investigation. Mexico's Federal Economic Competition Commission acquired this authority under recent legislative reforms, but the organization has no practical experience in carrying out dawn raids. To present international experiences in this area, MEPP and the Alliance for Competition (also supported by USAID) organized a June 22-23 workshop featuring Brazilian judge José Marco Lunardelli, U.K. Enforcement Director Gaucho Rasmussen, U.S. Department of Justice anti-trust trial attorney Christopher Reis and Iraxte Gurpegui, a former official at France's *Autorité de la Concurrence*. Speakers explored the risks involved in a surprise visit to an organization under suspicion, basic administrative elements of preparation, how to prevent leaks, working with judges, and the ethics of using IT forensics. During a mock dawn raid procedure, regulators shared perspectives and frustrations with judges, warning that seemingly minor administrative issues (e.g., an expired I.D. card) can result in the judicial rejection of an entire case supported by years of investigation and compelling evidence. On June 24, MEPP organized a public conference comparing international approaches to dawn raids. An important point of consensus was the need to define economic objectives of each inspection (i.e., avoid "fishing expeditions"). Event presentations will be available on the new [Alliance for Competition website](#).

Gasoline retail reform

On June 16, MEPP and its subcontractor Agon met with Susana Cazorla, Chief of Staff to the President of Mexico's Energy Regulatory Commission (CRE) and Efrain Tellez, CRE Chief of Regulation, to present preliminary research findings to define principles to liberalize Mexico's retail market for gasoline. Agon offered 10 lessons derived from international experience, including: the need to prevent concentration, the need to regulate prices in the absence of competition and minimize artificial barriers to entry, the benefits of multiple branding and flexible contracts with suppliers, and the negative impact of imposing minimum distance regulations. CRE staff will comment on the study and indicate areas of focus for the final deliverable, whose recommendations will be presented to Mexico's Congress later this year.



4. Greater SME access to private capital

A. Innovative financing for SMEs

Stock market inclusion

The Mexican Stock Market (BMV) is dominated by a handful of large corporations that have maintained their position for over a decade. Just three firms represent over half of total volume exchanged. Very few medium-sized companies—those with high potential for growth and innovation—raise private capital through the BMV, limiting opportunities for long-term investment and professional management needed for increased national competitiveness. Following a tradition of informal investment, over 90% of Mexicans co-invest with friends and family, while less than 1% attract capital through investment funds—all making the BMV even less competitive: Over the past three years, only 15 new companies have listed. On June 29, the Mexican Institute for Competitiveness (IMCO), a MEPP partner, held a press conference to present findings and recommendations to make the BMV more inclusive. ([Read more.](#)) IMCO proposed several public policy interventions to help "democratize" stock market participation and allocate investment capital to more firms, including: better financial education,

professionalization of corporate management, greater access for small investors and individuals, higher standards for information available to small investors, and greater legal protections against insider trading and other forms of moral hazard. [Research and findings](#) are available here.



5. Improved Commercial Transactions

A. Operationalizing guarantees

Over the past year MEPP has provided technical assistance to the Ministry of Economy to improve secured transactions for Mexican small business, focusing on the use of the Consolidated Register of Guarantees (Registro Unico de Garantías – RUG). In principle, the RUG facilitates financing to SMEs by securing loans through non-real estate assets of SMEs, such as equipment, vehicles and inventory. In practice, however, the RUG is rarely used. As a result, one of MEPP's main recommendations to the Ministry of Economy was to carry out a detailed, empirical analysis of the legal processes used in actual trials related RUG claims. The goal was to have a better understanding what actually transpires within real legal proceedings, rather than what laws and regulations state should happen. On June 18, MEPP achieved a significant step forward in improving RUG implementation when the Distrito Federal Supreme Judicial Tribunal (TSJDF) and MEPP partner Mancera S.C. signed an Agreement (Acuerdo) to collaborate on the analysis of real RUG claims brought before the court. The Agreement, which protects personal information included in case files, expresses the court's intention to identify which parts of the current legal process impose costs or create uncertainty that undermine the effectiveness of the RUG, and create disincentives for potential lenders to use it. The Agreement represents an unprecedented government action to leverage third-party evaluators to propose institutional changes to strengthen the reliability and effectiveness of secured transactions.



6. Citizens have greater access to public information and participate in public policy design

A. Open Data Ecosystem

New Application Improves Transparency of Technical Standards

Mexico has historically not had a consolidated, searchable list of official standards for manufactured products (called NOMs), making it difficult for companies—particularly smaller ones—to comply. NOMs have traditionally been publicized by different government institutions. To address this gap, MEPP developed the I3T Platform, which offers information, technology and transparency in real-time. All existing NOMs have now been incorporated into one user-friendly application, www.noms.imco.org.mx, and will be migrated to the Ministry of Economy website in the near future. The site displays the history and evolution of each standard, categorized by public agencies, economic sector, and type of good or service. The project, which required downloading and labeling more than 8,100 documents, greatly empowers smaller manufacturing firms who previously had difficulty complying with technical standards because of lack of information. On April 13, MEPP partner Mexican Competitiveness Institute (IMCO) publicly launched the platform at the Open Government Partnership Forum in

Mexico City. IMCO also presented the platform on June 25 at Mexico's National Standards Forum before 300 industry and government stakeholders. The Ministry of Economy intends to incorporate I3T into its own portal in the coming months, ensuring the sustainability of the initiative.

ADMINISTRATIVE ACTIONS

As MEPP enters its third year of operation, the volume and pace of projects are picking up significantly. MEPP responded by restructuring staff positions and hiring additional staff to ensure effective technical and administrative implementation. On April 24, the USAID Contracts Office approved four new staff members for MEPP: Laura Lennkh: Project Management Technical Implementation Specialist, Cecilia Autrique: Policy Research Specialist and Competition Alliance Liaison, Melissa Medina: Research Coordinator and M&E Specialist, and Brenda Ramos: Office Assistant. In addition, two MEPP staff members will be taking on increased responsibility in new positions. All four new staffers began working in May.

SUPPORT TO U.S. EMBASSY

On April 17, the Chief of Party participated in the USAID Partners Meeting, which focused on public-private partnerships.

CONCLUSION

As of June 30, 2015, the Mexico Economic Policy Program has is well on its way to meeting and exceeding its targets for results. With ten months remaining in the Program, we have already exceeded our targets for institutional capacity building and training. While we are half way to achieving our target for policy change, numerous activities are about to be completed while several newer ones are expected to to be complete, with measurable impact, within the next six months. The breadth and depth of technical assistance that we continue to provide to our most important counterparts gives us confidence that the Program will exceed its policy target. Finally, by the end of the third quarter of FY 2015, we have produced and launched one software application. We are behind schedule on application launches because of unanticipated administrative difficulties in the execution of *Retos Públicos* contracts. However, we fully expect to resolve those issues in the coming months and meet our application target as well.

ANNEX I: MEPP Activity Summary Matrix

<ol style="list-style-type: none"> 1. Supporting state programs for SMEs 2. Strengthening the impact of federal programs 3. Promoting productivity through public sector programs 4. Supporting local economic reactivation 	<ol style="list-style-type: none"> 1. Streamlining business procedures 2. Reducing obstacles to high impact entrepreneurship 	<ol style="list-style-type: none"> 1. Procurement best practices 2. Strengthening regulatory capacity 	<ol style="list-style-type: none"> 1. Innovative financing mechanisms for SMEs 	<ol style="list-style-type: none"> 1. Improving the system for secured transactions 2. Deepening financial system
Government funds effectively promote private sector development and productivity	Businesses face fewer obstacles for growth	Competition is improved	Regulatory reform improves SME access to private capital	Business transactions are more efficient and reliable
Beneficiaries of GOM spending programs increase product, growth or value added	Costs or time to start up or operate a business are reduced	Prices of goods or services are reduced, or quality and choice are increased	Businesses obtain a higher proportion financing through private capital	Higher volume and number of formal commercial transactions among SMEs
<p>Digital Government and Open Data</p> <p>Citizens have greater access to public information and participate in public policy design</p> <ol style="list-style-type: none"> 1. Open data ecosystem 2. Applications 				

ANNEX 2: PMP Matrix

achieved this quarter – QR3 FY15	Type of Activity ¹		Cumulative Indicator Achievement		
	Policy	Institutional Mechanisms	Number trained	Endorsed (T1)	Adopted/ Implemented (T2)
Outcome 1 - Private Sector Development					
1. Local government SME support					
<i>a. FONDESO Electronic Tools</i>					
1. Risk assessment					
2. Referral website		X		--	2
<i>b. Rules of operation</i>	X			1	1
<i>c. CDMX geo-reference electronic platform</i>		X		--	
<i>d. Atrévete a emprender- Youth Entrepreneurship</i>	X		152	1	1
2. Federal government SME impact					
<i>a. INADEM Evaluation manual / guidelines</i>		X		--	1
<i>b. Re-design rules of operation and impact evaluation</i>	X			1	1
<i>c. Economic Development Agency (includes entrepreneurship mapping)</i>	X				
<i>d. Innovation programs criteria - CONACYT</i>	X		68	1	
3. Public sector promotes productivity					
<i>a. Aligning public policy programs to productivity</i>		X	98	--	1
<i>b. MUSEIC</i>		X		--	
<i>c. Value chains</i>					
1. VC policy reforms					
2. Textile platform					
3. Energy sector supplier program	X		49	1	
<i>d. PPPs for innovation</i>					
1. Jalisco portfolio					
2. FONDESO clean energy accelerator	X				
4. Local economic reactivation					
<i>a. SME cost reduction strategies</i>	X				
<i>b. Economic reactivation of marginalized areas</i>					
1. Monterrey cluster					
2. SEGOB policy	X				

¹ Predominant type of impact – policy or institutional mechanism. While some activities have impacts in both areas, only the predominant one is counted.

Outcome 2 - Business procedures					
5. Streamlining procedures					
<i>a. Empresa al instante</i>	X			1	
<i>b. Local regulations – Mi Negocio</i>		X	40	--	1
<i>c. Public notary reform</i>		X		--	
<i>d. Morelos property rights</i>	X				
6. High impact entrepreneurship					
<i>a. Obstacles to high impact SMEs</i>	X		190		
<i>b. Patenting centers network</i>		X		--	
Outcome 3 - Competition					
7. Procurement reform and innovation					
<i>a. Public works toolkit</i>	X				
<i>b. ICT goods & services</i>					
1. Digital procurement for Retos Públicos					
2. Technology enablers	X			1	
<i>c. IMSS pricing analysis</i>		X		--	
<i>d. Transparency and efficiency in CDMX Airport</i>		X	257	--	
8. Regulatory capacity					
<i>a. COFECE strategy (includes investigation unit)</i>		X	125	--	1
<i>b. Finance sector analysis</i>	X			1	1
<i>c. State sectorial analysis</i>	X				
<i>d. Judicial/regulator diplomado</i>		X	4261	--	
<i>e. Competition Alliance</i>		X	434	--	
<i>f. Liquid fuel retail</i>	X				
Outcome 4 - Business Financing					
9. Innovative financing for SMEs					
<i>a. Equity investment</i>					
1. Stock market inclusion					
2. Expat Investment Fund					
3. Loan guarantee mechanism	X				
<i>b. CDMX Seed capital fund</i>	X				
Outcome 5 - Commercial Transactions					
10. Secured transactions					
<i>a. Operationalizing guarantees</i>		X		--	
<i>b. Liquidation and recovery of struggling businesses</i>		X		--	
11. Financial inclusion					
<i>a. Increasing electronic transactions</i>	X				
<i>b. Harmonizing US and Mexican credit bureaus</i>	X				
Outcome 6 - Digital Government and Open Data					
12. Open data ecosystem					
<i>a. Red México Abierto</i>		X	473		

TOTAL	21	16	6,147	8	10
<i>APPLICATIONS (Cross-Cutting indicator)</i>	1				

OVERALL TARGET ACHIEVEMENT TO DATE – JUNE 30, 2015

LP1: Policy (T1 + T2)	12 of 24
LP2: Institutional Capacity Mechanism (T2 only)	6 of 4
Applications (software applications launched)	1 of 6
LP3: Total Training	6,147 of 2,400
Men trained	3,607
Women trained	2,540

ANNEX 3: Training

DATES From-To		LOCATION	COURSE / EVENT	AUDIENCE SIZE	MALE	FEMALE
16/Apr/15	16/Apr/15	Mexico City	Judges Award COFECE	9	8	1
21/May/15	21/May/15	Mexico City	Conference Competition Authorities North America (Trilateral)	190	131	59
22/Jun/15	22/Jun/15	Mexico City	Workshop Dawn Raids (CIDE)	46	24	22
23/Jun/15	23/Jun/15	Mexico City	Workshop Dawn Raids (CIDE)	47	18	29
24/Jun/15	24/Jun/15	Mexico City	Workshop Dawn Raids (CIDE)	46	24	22
TOTAL				338	205	133

ANNEX 4: Deliverable Datasheets

Title of Deliverable	Activity Name
Diagnóstico y acciones para elevar la profundidad del mercado bursátil en México <i>(Diagnosis and actions to increase the depth in Mexico's Stock Market)</i>	Innovating Financing for SMEs <i>Equity investment: Stock Market inclusion</i>
Abstract	Counterpart
<p><u>Context:</u> An efficient stock market generates financial investment opportunities for a wide range of companies seeking to grow. The Mexican Stock Market (BMV) is dominated by a handful of large corporations that have maintained their position for over a decade. Just three firms represent over half of total volume exchanged. Very few medium-sized companies—those with high potential for growth and innovation—raise private capital through the BMV, limiting opportunities for long-term investment and professional management needed for increased national competitiveness. Following a tradition of informal investment, over 90% of Mexicans co-invest with friends and family, while less than 1% attract capital through investment funds—all making the BMV even less competitive: Over the past three years, only 15 new companies have listed. From 6,500 enterprises with more than 250 employees, only 147 have gone public. The size and depth of the Mexican stock market are very small compared to other countries. The study evaluates challenges and actions to democratize the Mexican stock market.</p> <ul style="list-style-type: none"> • Stock market is highly concentrated and does not target SMEs. Ten companies represent two thirds of BMV of the market • Low level of professionalization limits companies' ability to go public • Savers use debt or informal mechanisms to save, and avoid stock market as a wealth generator • Small investors face barriers to participate in stock market. • Investment funds do not invest much in stock market • Actions to elevate supply include: transform Mexican business ecosystem, promote financial education, and stock market inclusion for business in underserved segments • Actions to increase demand: incentives for private investors' participation, financial education in savings and investment, and more information in investment mechanisms for population <p>Keywords: stock market, savings, financial education, democratization</p>	National Securities and Banking Commission (CNBV)
	MEPP Partner/ Author
	IMCO
	Date Written/ Completed
	September 2014 (published in Q3 2015)

Title of Deliverable	Activity Name
Position Paper: <i>Observatorio Ciudadano del Nuevo Aeropuerto de la Ciudad de Mexico</i> <i>(Citizen Observatory of Mexico City's New Airport)</i>	Procurement Reform and Innovation <i>Transparency and Efficiency in CDMX Airport</i>
Abstract	Counterpart
<p>Context: On September 2014, the Mexican federal government announced the construction of a new airport for Mexico City. It is expected to be the country's costliest infrastructure project in history. The MEPP-supported Citizen Observatory published a position paper seeking to maximize consumer welfare, guarantee transparency and accountability, and minimize negative social impacts on the local population.</p> <ul style="list-style-type: none"> • Key issues include: economic development and competitiveness, mobility and urban planning, environment, and social inclusion • Analysis of official proposals, including existing procurements, as well as best practice recommendations • Questions for public sector managers focus on: project dimension, financial risks, costs, and regional hub challenges. • Recommendations include: financial plan that considers different scenarios and financing options, creation of an independent organization for project supervision, strengthening COFECE's role, and open data on all public bids <p>Keywords: Citizen Observatory, infrastructure, environment, mobility, social inclusion</p>	Mexico City Airport Group
	MEPP Partner/ Author
	IMCO / Abt
	Date Written/ Completed
	April 2015

Title of Deliverable	Activity Name
<p>Economic and Legal Diagnostic for a Regulatory Framework on Digital Services Procurement in Mexico <i>(Diagnóstico Económico y Legal del Marco Regulatorio para los Servicios Digitales en México)</i></p>	<p>ICT Goods and Services <i>Retos Públicos</i></p>
Abstract	Counterpart
<p>Context: <i>Retos Públicos</i> was created as a complementary effort of the National Digital Strategy unit, led by the Office of the President, to incentivize national innovation in digital services, increase opportunities for SMEs to participate in government software contracts, and encourage technology solutions within government agencies. MEPP commissioned a study to provide recommendations on the implementation and management of <i>Retos Públicos</i>, including:</p> <ul style="list-style-type: none"> • International experiences on similar platforms: prizes, requirements, competition stages • Legal framework on public procurement in Mexico describing laws and articles related to <i>Retos Públicos</i> institutionalization. This chapter includes recommendations to reduce administrative paperwork in government agencies • IT services main characteristics: description of incentives created in organizations participating (directly and indirectly) in <i>Retos Públicos</i> • Academic literature analysis on competitions/tournaments to define best practices in <i>Retos</i> evaluation process • Recommendations to improve <i>Retos</i> management, such as a follow-on mechanism to allow software developers to sell software updates and solutions, improving the evaluation process, and supporting government agencies that participate in <i>Retos</i> to institutionalize them internally <p>Keywords: evaluation, tournaments, incentives, institutionalization</p>	Digital Government Unit of the Office of the President (CEDN-Presidencia)
	MEPP Partner/ Author
	Abt / CIDE
	Date Written/ Completed
	April 2015

Title of Deliverable	Activity Name
<p>Reactivación Económica en zonas vulnerables: Necesidades de la población objetivo; modelos económicos sostenibles; y sistema de monitoreo y evaluación</p> <p><i>(Economic reactivation of marginalized areas: Necessities of objective population; sustainable economic models; monitoring and evaluation system)</i></p>	<p>Local economic reactivation SEGOB</p>
Abstract	Counterpart
<p>Context: In Mexico, young people from marginalized areas lack labor opportunities, leading to greater social risks. To increase youth employability it is essential to develop human capital and private sector participation. The study presents a problem diagnosis, conceptual framework, opportunity areas, and recommendations to reactivate marginalized areas in Mexico. It presents analytical inputs to the Inter-Ministerial Commission for the Social Prevention of Violence and Crime:</p> <ul style="list-style-type: none"> • Strategies to improve youth employability must consider short, medium, and long term risks. • Private sector should become a central actor and contribute directly to economic reactivation strategy • Opportunity areas for strategy: Principal government objective should become employability instead of entrepreneurship support. Current limitations in accessing existing public programs must be addressed • Main recommendations include: youth segmentation based on employability built on demographics, home situation, marginalization, social capital and criminal activity exposure; 20 actions to be included in the economic reactivation strategy in three intervention levels: youth interests and territorial opportunities should be considered to define program training, incentivize public and private employers to include objective population in the employability program; incentivize employment generation by developing specialized calls (<i>convocatorias</i>) • A set of indicators was proposed to evaluate the impact of a dedicated program <p>Keywords: economic reactivation, young employability, reactivation, risk</p>	<p>Ministry of Interior (Secretaría de Gobernación- SEGOB)</p>
	<p>MEPP Partner/ Author</p>
	<p>C230</p>
	<p>Date Written/ Completed</p> <p>May 2015</p>

Title of Deliverable	Activity Name
Rediseño del Fideicomiso para el Desarrollo de Proveedores Nacionales para la Industria Energética <i>(Redesign of Trust Fund for the Development of National Suppliers in the Energy Industry)</i>	Public Sector Improves Productivity Value Chains: Energy Sector Supplier Program
Abstract	Counterpart
<p>Context: Mexico's recent energy reforms changed the legal framework for public funding, especially by opening the sector to the private sector. In 2014, Congress modified electricity and hydrocarbons legislation to transform an existing energy sector trust fund to focus on supplier and contractor development. The deliverable includes a proposal to define the new strategic objectives and rules of operation of the trust fund. Objectives were divided among short and long term achievements:</p> <ul style="list-style-type: none"> • Short Term: <ol style="list-style-type: none"> Identify current gaps among energy industry providers in terms of technology and capabilities Diminish technology and capacity gaps among suppliers and its demand • Long Term <ol style="list-style-type: none"> Identify opportunity areas for strategic development in supply chains in the energy industry Leverage strategic projects on value chains for the energy industry <p>Keywords: energy sector, trust fund, strategic objectives, value chains, technology</p>	Ministry of Economy (SE)
	MEPP Partner/ Author
	C230 / Abt
	Date Written/ Completed
	June 2015

Title of Deliverable	Activity Name
<p align="center">Plataforma I3T de NOMs (Technical Standards Platform Website)</p>	<p align="center">Applications NOMs</p>
Abstract	Counterpart
<p>Context: I3T Platform will become the new digital catalogue for all official technical standards (NOMs) for manufactured goods. The webpage is currently noms.imco.org.mx but will soon be migrated to the Ministry of Economy. The website is a user friendly and searchable database that includes:</p> <ul style="list-style-type: none"> • 2,767 standards • 1,754 project standards • 1,438 other documentation • 1,380 answers to comments • 342 modified projects • 278 modifications • 162 cancellations <p>The Platform represents a major improvement in economic governance:</p> <ul style="list-style-type: none"> • API is updated daily and automatically through the DOF website • Platform endorses transparency on regulation and competition • User friendly for anyone interested • Search is based according to: government department, economic sector, or product or service regulated • Easy searches for current regulation • Explains terms and conditions for every NOM <p>Keywords: NOMs, transparency, regulation, standards</p>	<p align="center">Ministry of Economy</p>
	<p align="center">MEPP Partner/ Author</p>
	<p align="center">IMCO</p>
	<p align="center">Date Written/ Completed</p> <p align="center">June 2015</p>

Title of Deliverable	Activity Name
<p align="center">Caja de Herramientas para la Red MX Abierto (RED MX Toolkit)</p>	<p align="center">Open Data <i>Red MX Abierto</i></p>
Abstract	Counterpart
<p>Context: <i>Red México Abierto</i> was created to promote open data initiatives in municipal and state level governments. The platform develops an open data community of practice, built on a model of collaboration and specialized technical support. The toolkit is available at mxabierto.org and gathers technical and editorial tools to implement an Open Data Policy.</p> <ul style="list-style-type: none"> • International experiences on Open Data in English and Spanish • Legal framework on Open Data in Mexico: Letters of Appointment, open data licences, transparency law, open data decree, open data index • Technical data processing tools: Refinement, search and inventory • Editorial tools: glossary, Pilot Phase Report, Frequent Asked Questions, Implementation Timeline • Open Data Implementation Guide for public servers, explaining step by step how to correctly open datasets to the public • Recommendations to promote and socialize datasets, such as hackathon, creation of apps and data use to make better public policy <p>Keywords: open data, datasets, implementation</p>	<p>Digital Government Unit of the Office of the President (CEDN-Presidencia)</p>
	<p align="center">MEPP Partner/ Author</p>
	<p align="center">Abt</p>
	<p align="center">Date Written/ Completed</p> <p align="center">June 2015</p>

Title of Deliverable	Activity Name
<p>Estudio de indicadores del desempeño logístico de las cadenas de suministro. México 2014 <i>(Indicators on Logistic Performance of Supply Chains. Mexico 2014)</i></p>	<p>Public sector promotes productivity <i>Value Chains: Policy Reform</i></p>
Abstract	Counterpart
<p>Context: Since 2007, the Ministry of Economy has been working to understand supply chain dynamics and performance in order to implement policies that strengthen logistical efficiency. The study's objective is to identify gaps and opportunity areas of Mexican supply chains in order to improve competitiveness. Companies from different economic sectors were surveyed on supplier management and client services. Because Mexico's automotive sector has grown significantly in recent years, the study focused on this sector's growth drivers and obstacles.</p> <ul style="list-style-type: none"> • Main obstacles in automotative sector devolpment are: technology access, access to highly skilled human capital and market information • Public policies were proposed to address obstacles: <ol style="list-style-type: none"> 1. Incentivising development and adoption of IT in automotive companies along the entire supply chain 2. Foster skills development in students at high school and university levels 3. Facilitate access to information on time about BtoB oportunites in foreign markets • Success stories in other companies including the case of vertical collaboration between Nestle and United Biscuits • Public policy recommendations on supply chains focused on collaboration between companies and transportation providers <p>Keywords: supply chains, collaboration, automative sector, survey</p>	Ministry of Economy (SE)
	MEPP Partner/ Author
	Abt / EY
	Date Written/ Completed
	June 2015